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State Dept. review completed

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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 82
3 JANUARY to 10 JANUARY 1950

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

An accelerated propaganda campaign on the part of the Chinese Communists, designed to win the support of Chinese communities overseas, has been noted (p. 2).

The leader of the "Yenan faction" of the Japan Communist Party has been denounced by the Cominform for his "bourgeois" attitude (p. 3).

Rumors of an impending invasion of the Republic of Korea are circulating once more, possibly inspired by increases in the strength of the northern puppet "People's Army" (p. 3).

Despite speculation to the contrary, present evidence supports the view that Chinese Communist leader, MAO Tse-tung, continues to be the Kremlin's favorite (p. 4).

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The recent reentry of some Socialists into Burma's cabinet, while not indicating a drastic reorientation of that Government's world views, may mean an eventual end to the moderately pro-Western attitude of the present regime (p. 6).

The marginal notations used in succeeding sections of this Weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

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SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Chinese Communists proselytize overseas Chinese--The Central People's Government's Commission of Overseas Chinese Affairs is campaigning to win support for the new regime among Chinese residing abroad. Current propaganda broadcasts are stressing the Peiping regime's interest in Overseas Chinese, especially those living in "adverse" conditions in Southeast Asia. They are being urged both to maintain close contact with the mother country and to continue the remittance of funds to their families through "new" facilities, including branch banks in South China's coastal cities, established by the Communists for the purpose. One recent broadcast quoted the alleged text of a letter from Manila concerning the persecution of Overseas Chinese in the Philippines, declaring that the "mother country is at present entering upon strong maturity, having emerged from the childhood stage, and so are the Overseas Chinese compatriots, whose sufferings will soon be relieved forever."

"B"

The Commission is reported to have circularized Overseas Chinese communities, inviting Chinese subjects to return to China, and giving information on repatriation procedures. The communities are being urged, moreover, to maintain friendly relations with the "democratic masses" in their countries of residence, who are under the heel of "imperialist-backed, reactionary Governments."

The Peiping regime is evidently hoping: (1) to win the loyalty of the Overseas Chinese by emphasizing the ability of the new regime to protect and advance the interests of Chinese living abroad; (2) to identify the interests of the Overseas Chinese not only with the Central People's Government but also with the "democratic, anti-fascist" elements within the countries of their residence; (3) to enlist financial support of Overseas Chinese for the Communist regime; and (4) to encourage the return to China of foreign-trained students and technicians badly needed by the new administration.

While most Overseas Chinese are middle class and have no love for Communist economic doctrine, traditional attachment to the mother country, together with the growing power and prestige of the new regime, can be expected to outweigh ideological considerations. Even wealthy Chinese capitalists in Southeast Asia are unlikely to take a stand openly in opposition to Peiping. In addition, the backing of a strong homeland will encourage the Overseas Chinese in the struggle against their principal grievances -- social and political discrimination. Following the establishment of diplomatic relations between Peiping and the various governments of Southeast Asia, it is believed that the Overseas Chinese communities will be organized by the Communists into effective instruments of the Peiping regime.

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JAPAN

Communist leader denounced by Cominform--"Pravda" on 7 January quoted Cominform comments denouncing NOZAKA Sanzo, second-ranking leader of the Japan Communist Party for his "bourgeois attitude" and for mistakenly claiming that a peaceful change to socialism is possible, even in presence of the US Occupation, "thus betraying the Japanese workers and aiding imperialists."

"A"

While the reasons for the attack remain to be clarified, two strong possibilities are already apparent. First, Moscow is dissatisfied with the Japanese Communists' retrogression during the past six months, resulting from the loss of public favor because of violent tactics last summer. Second, NOZAKA, trained both in Moscow and Yanan, is the leader of the strong Yanan faction in the Japanese Party's high command. He may, therefore, have been singled out for "denouncement" in order to free the international Communist chain of command from any Chinese Communist control or influence.

It appears possible that the attack may end in a "shake-up" of the Japan Communist Party and a change to a more aggressive policy. While NOZAKA may retire into the wings, as the Party's leading strategist, he probably will not be "purged." Indeed, the first Japanese Communist reaction to the Cominform charges, as reported by non-Communist news agencies, has been that the press reports are "provocative action on the part of the enemy to disturb the solid unification of the Japan Communist Party," a line which indicates that the Party may not willingly accept NOZAKA's "denouncement" by the spokesmen of international Communism.

KOREA

New invasion rumors--After a lull in rumors for several months, a fresh crop of forecasts is appearing, predicting a People's Army invasion of southern Korea in the spring of 1950. Although the source of these rumors is unknown, they may well be related to the program of expansion undertaken by the armed forces of the People's Republic during 1949.

"A"

Principal feature of this expansion has been an influx from Manchuria of Korean personnel trained in the Chinese Communist armies. It now appears that at least 16,000 such troops, many of them fully equipped, have been incorporated into the People's Army and Border Constabulary, as units and individually. The influx is believed to be continuing and the actual number of Chinese Communist-trained personnel now in northern Korea may be considerably greater than 16,000.

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The 70,000 to 100,000 Koreans reported to be on duty with the Chinese Communist armies in Manchuria may be inferior or inexperienced service and line-of-communication troops. Their movement in large numbers into northern Korea, however, would assist in solving acute manpower problems and the presence of 16,000 such personnel would add materially to the combat potential of the northern Korean People's Army.

Meanwhile, there has been a steady southward displacement of People's Army units. Estimated dispositions now place the entire First and Third Divisions in positions just north of the 38th Parallel astride the two major north-south corridors. Furthermore, northern Korean combat potential has been increased by the assignment of anti-tank weapons, tanks, and heavy field guns to units in the 38th Parallel zone. It also appears that attention has been given to the development of northern Korean air capabilities and some World War II Soviet fighter aircraft may now be assigned to the People's Army.

This expansion of the People's Army, however, is not necessarily an indication of intentions to undertake the early invasion of southern Korea. The People's Army has not yet developed a clear-cut superiority over the increasingly efficient Army of the Korean Republic and may not be able to do so in the immediate future. It still appears most probable that the expansion of the People's Army has been undertaken to offset the growth in size and strength of an offensively-minded Republican Army in the south and it is still doubtful that the People's Army will be prepared to risk full-scale combat this spring.

CHINA

MAO remains Kremlin's best bet--MAO Tse-tung's announcement that he will remain in the USSR for several weeks has occasioned speculation that MAO is proving intractable. This thesis is encouraged by reports that Sino-Soviet friction is on the increase in China, that the popular Chinese response to "Sino-Soviet friendship" has been apathetic and sometimes hostile, and that a draft Sino-Soviet treaty has been rejected by the Chinese Communists. It has been suggested that an aggressively pro-Soviet faction within the Chinese Communist Party will employ MAO's protracted absence from China to advance its own position at the expense of MAO's more "nationalistic" stand, and that the USSR will attempt to keep the Chinese Communists "in line" through early seizure of control of the Chinese secret police.

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MAO may in fact require several weeks to reach agreement on certain provisions of a revised Sino-Soviet treaty and he may even be utilizing his time to advise that the Kremlin proceed more circumspectly toward the achievement of USSR objectives in China. However, MAO's position is that of a genuine and orthodox Stalinist; he is in firm control of the Chinese Communist Party and is recognized as its leader by all Party elements and by the Chinese people generally. There is no evidence that any CCP faction is strong enough to succeed in an anti-MAO coup, or that the USSR would be so rash as to attempt to replace MAO at this time. For some time, the Soviet position in China will be advanced far more by the voluntary cooperation of the Chinese Communists than by actual or implied Soviet coercion. So long as the USSR continues to guide the Chinese Communists with a loose rein, the Soviet prospects for controlling the Party will be excellent. It is anticipated that existing differences in negotiation on the Sino-Soviet treaty will be reconciled and that the revised treaty, formalizing and extending Soviet privileges in China, will be announced this month.

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NEWS NOTE

The official New Year's statement by the Chinese Communists reviewed the accomplishments of 1949 and outlined the tasks of the Chinese people for 1950. These are: (1) the "liberation" of Taiwan, Tibet and Hainan and the suppression of counter-revolutionary activity; (2) increased production and the practice of economy in all expenditures; (3) advancement of agrarian reform in accordance with local conditions; (4) further consolidation of the "people's democratic dictatorship" through the organization of "people's representative conferences" at all political levels. In the international sphere, the statement proclaimed, the Chinese people will continue to develop their friendly relations with the Soviet Union and "people's democracies," and will "intensify their efforts in learning from the Soviet Union, and expand beneficial relations between the peoples of all countries."

BURMA

Socialists reenter cabinet--The recent return of three Socialist Ministers to the Burmese cabinet may lead to some modification of Burma's present mildly pro-Western governmental policies. The move does not necessarily portend any immediate and drastic changes, however. The new Ministers are relatively minor functionaries of the Socialist Party and have been given the innocuous portfolios of agriculture, industry and rehabilitation.

"B"

Prime Minister Thakin Nu's invitation to the Socialists, which was accepted only after considerable delay and following his personal representations, was probably designed to obtain Socialist participation in the Government and force upon the Socialists some measure of responsibility for the current unhappy conditions in Burma. The reluctance of key Socialist leaders to participate in the Government

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not only indicates their desire to avoid the severe criticism they have experienced in the past, but also their unwillingness to assume a dominant position in the formulation and implementation of Government policy until a more strategic moment.

Nevertheless, the present setup is not without advantages to the Socialists. It permits them to keep a closer check on the Government, provides the means of applying the brakes directly upon policies they disapprove and gives them an entering wedge whenever they wish to increase their authority in the administration. This latter possibility is especially significant, since Thakin Nu has stated that it may be necessary to appoint two more cabinet Ministers in order to handle the increasing work load. The two posts may be the Foreign Ministry, from which the relatively conservative Justice E Maung recently resigned, and the Ministry of Commerce. Appointment of prominent Socialists -- most of whom are extreme leftists -- to these important positions could lead to the ultimate political eclipse of the moderating influence of Thakin Nu and some of his relatively conservative colleagues.

S.E.A. NEWS NOTES

The United States of Indonesia intends to submit a formal application for an Export-Import Bank loan. Initial representations to the Bank by the Indonesian Charge d'Affaires in the United States failed to impress Bank officials, who stated that, in the absence of any specific data, they could not point to specific deficiencies. Discussions with the Bank will be resumed after the arrival of the Indonesian Minister of Economic Affairs, some time in mid-January. Meanwhile, Premier Hatta has told US Ambassador Cochran that the purpose of having Matthew Fox come to Indonesia is to liquidate his contract with the Republic "without hurting any feelings". Hatta declared that Fox may establish future private business relations with firms in Indonesia but that he will not have a contract with the Government of the USI.

Philippine President Quirino, during an interview with Ambassador Cowen, has denied that he actually intended to appoint Vicente Madrigal -- wealthy industrialist and prominent wartime collaborator -- as Ambassador to the US. However, Quirino mentioned Madrigal's very large unpaid "war damage" claims, which the US War Damage Commission is delaying pending special investigation of Madrigal's wartime activities. Quirino stated: "If you will pay his war damage claim, I will not appoint him Ambassador to the US." Ambassador Cowen replied that the US did not enter into agreements of such a nature.

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Release of the pilgrim ship, S.S. Cristobal, carrying approximately 1,800 Philippine Mohammedans on the round-trip to Mecca, has at last been agreed to by the Saudi Arabian Government, on condition that the Philippine Government guarantee payment of requisite fees and repatriation costs within 120 days.

Trouble began when the Moro passengers claimed that they had already made partial payment of fees totaling \$124,000 to Philippine Senator Salipada Pendatun, a Mindanao Moslem, who was negligent in making proper arrangements for the pilgrimage. Since the Saudi Arabians claimed not to have received the remittances, they refused to permit the Moros to reembark. Meanwhile, the Cristobal's crew -- unpaid since September -- became mutinous, and smallpox broke out among the pilgrims. Following reports that the humanitarian aspect of the situation was reacting against US prestige in Saudi Arabia, where the US represents the Philippine interests, Senator Pendatun arrived in Jidda early in January to negotiate a settlement.

Australia's new Liberal-Country Party coalition government faces its first serious test in the current Sydney waterfront tieup, involving more than 70 ships and 6,000 dockers. In view of the close cooperation among the Communist-led waterfront and seaman's unions, the dispute may spread throughout Australia and possibly New Zealand, unless an early settlement is reached.

The strike, which began on 3 January when the Communist-dominated Waterside Workers Federation staged a walkout over a minor issue, climaxed a series of stoppages over flimsy or imagined grievances which had caused shipping jams in major Australian ports during the year-end holiday season.

The ultimate objective of the Waterside Workers' Communist leadership appears to be destruction of the Stevedoring Industry Board and sole control of the waterfront. Both the Government and the Board (a 3-man independent body representing employer, union and government) are taking a firm but cautious stand at present in order to avoid antagonizing anti-Communist unions which are supporting the dockers.

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